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Agricultural Outlook Forum 2001
February 23, 2001
Grains and Oilseeds Luncheon

Grains and Oilseeds: A European Perspective

by
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Grains and Oilseeds: A European Perspective

1. Goals and Achievements of the Agenda 2000 Reform
2. The BSE Crisis and its Consequences
3. Future of the EU´s Common Agricultural Policy

Agenda 2000- Agricultural Policy Goals

- Improve Competitiveness of EU Agriculture
  - ➔ domestically
  - ➔ on the world markets
- Further Shift from Price Support to Direct Payments

Agenda 2000 Decisions for Grains and Oilseeds

		1999/00	*2000/01*	*2001/02*	*2002/03* [1]	*change 02/03 on 99/00*
Grain Intervention Price	€/ton	**119**	**110**	**101**	**101**	***-15%***
	$/ton	**110**	**102**	**94**	**94**	
Direct Aid Grains	$/ha	**231**	**250**	**268**	**268**	***15%***
Direct Aid Oilseeds	$/ha	**429**	**348**	**308**	**268**	***-38%***

1) to be reviewed in 2002

1 Euro (€) = 0.925 USD ($)

Agenda 2000

Achievements for Grains and Oilseeds

EU Domestic Prices Closer to World Market Level

Increased Price Volatility in EU Domestic Market

Domestic Use of Grain Increasing

Less Grain Export Subsidies Needed

Higher EU Imports of Quality Wheat Possible

Acreage Limits on Oilseeds No Longer in Force

Feed Pulses Loose Competitiveness

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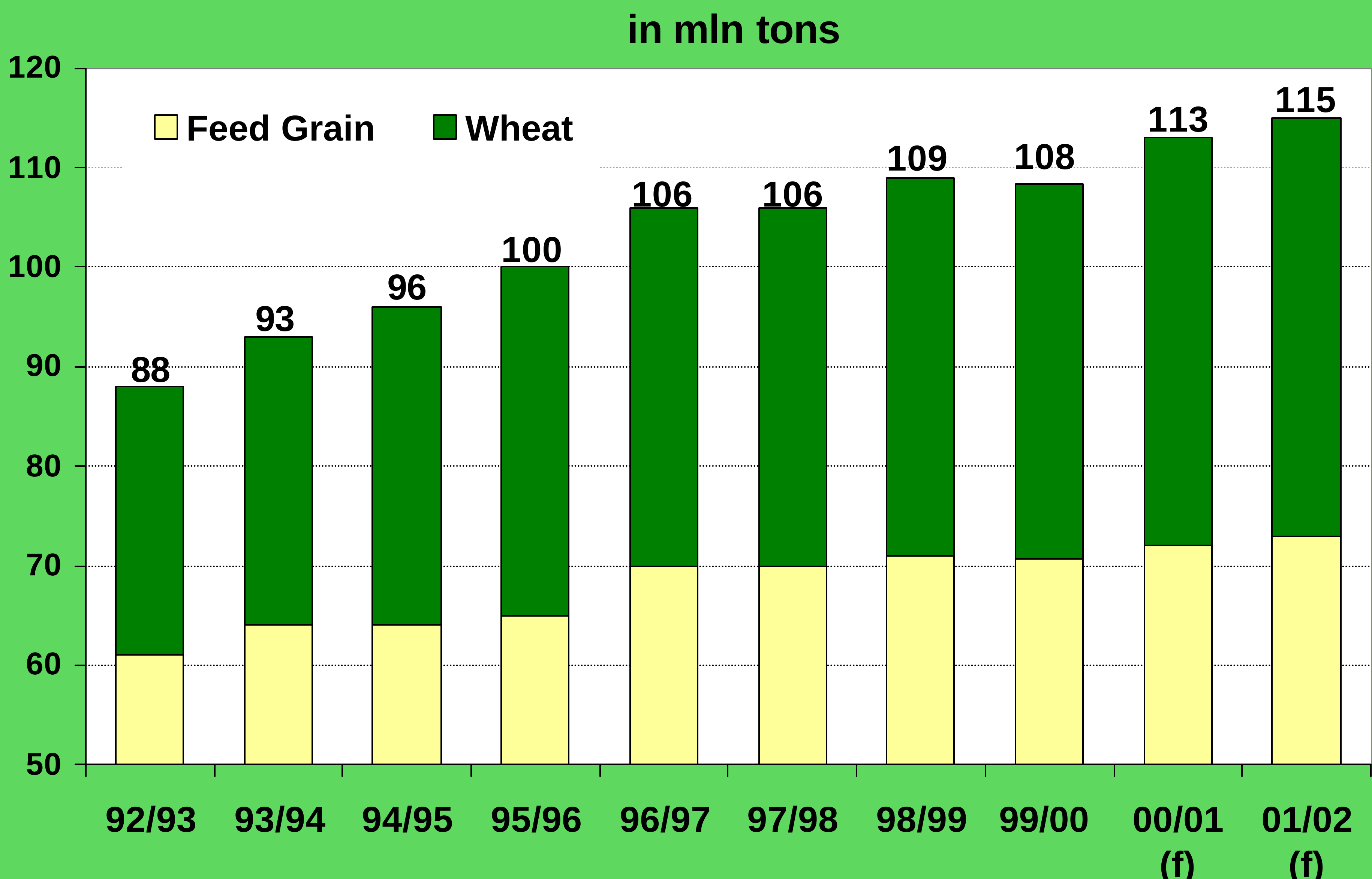
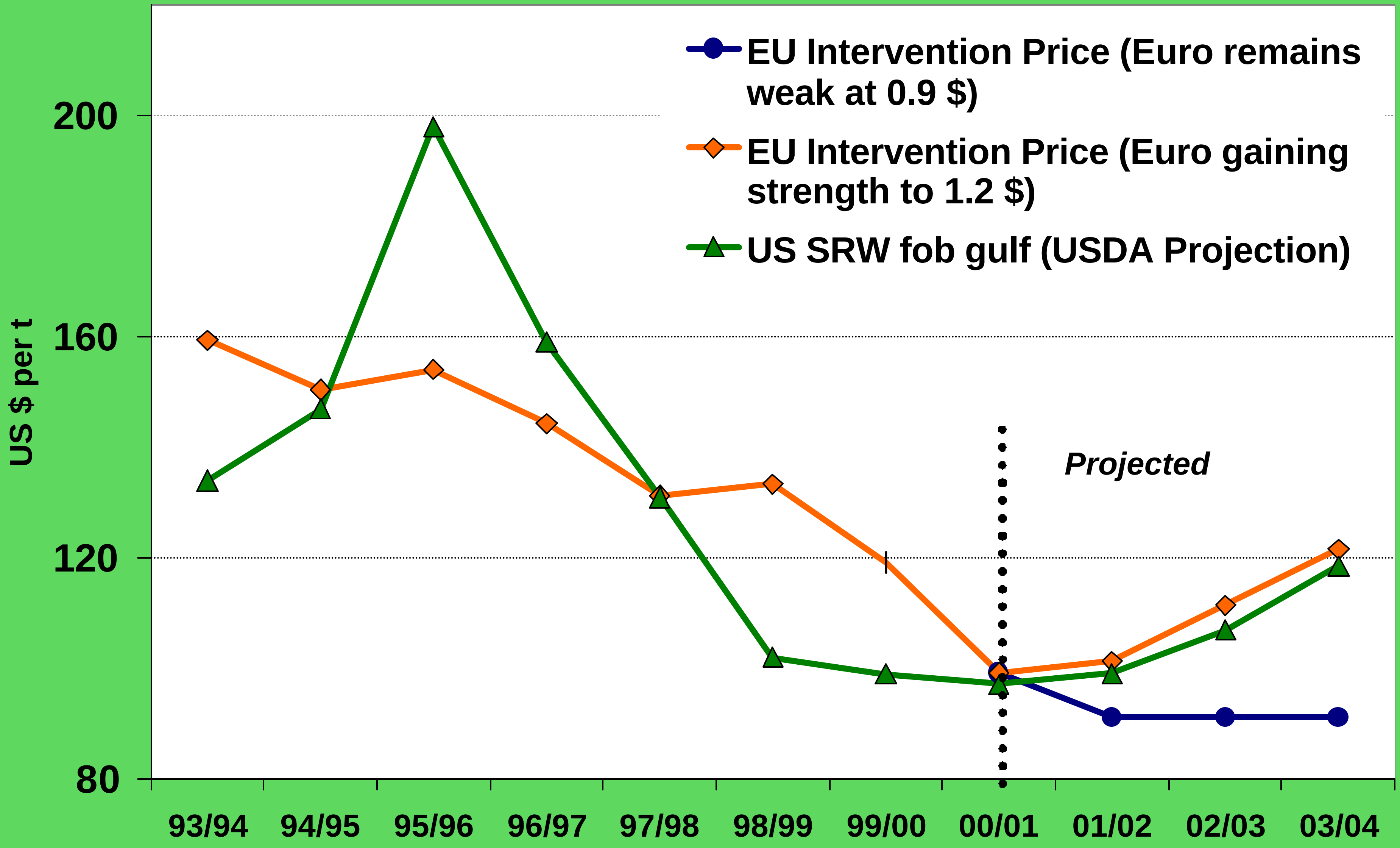
EU Feed Use of Grains



EU Grain Intervention Price and World Market



EU Grain Exports and WTO Limits

in mln tons

	1998/99	1999/00	2000/01	2001/02
Actual	27.5	34.0	27.0	29.0
WTO Limit	28.8	27.0	25.2	25.2

EU Grain Import Duty and Agenda 2000

		1999/00	2000/01*	2001/02**
		-------- Average, in Euro/t -----------		
Durum	HAD2	**12.2**	**0.0**	**0.0**
Soft Wheat	HRS2 14%	**22.6**	**0.1**	**0.0**
	HRW2 11.5%	**61.4**	**14.9**	**1.0**
	SRW2	**75.6**	**40.2**	**26.3**
Corn	YC3	**81.8**	**52.3**	**38.4**

* *Average up to Feb 2001*
** *Intervention price cut 7.5%*
all other determinants - prices, freight, exchange rate - assumed unchanged on 2000/01

Source: EU Official Journal, own calculation

EU Oilseed Plantings and Blair House Limit

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- **Maximum Guaranteed Area of 4.9 mln ha did not Restrict Oilseed Plantings During the Last Two years**
    - **Reasons: Low Oilseed Prices, Cut in Direct Payments**
    - **Agenda 2000: Oilseed Aids Minus 40% - Grains Plus 15%**

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- Development of Oilseeds Production Fully Dependent on World Market Prices

- From 20002/03 Same Aid Level for Oilseeds and Grains

EU BSE Crisis and the Beef Market

- ➔ EU Beef Consumption Currently Down 25 to 50 %
- ➔ Reduction in 2001: At Least 15 %
- ➔ Many Countries Banned Imports of EU Beef and Cattle
- ➔ Beef Surplus in 2001 of Over 1 mln tons
- ➔ Up to 2 mln cattle to be Slaughtered for Destruction

  (equal to 1.5 – 2 % of cattle inventory)
- ➔ Meat & Bone Meal and Animal Fat in Milk Replacers most likely Source for BSE Transmission

EU BSE Crisis – Immediate Consequences

- ➔ Ban on the Usage of Meat & Bone Meal Extended to All Animal Feed for Six Months from January to June
- ➔ Scientific Review whether a Complete Ban is Justified (to be completed in June)
- ➔ Export Ban for MBM
- ➔ Ban on Fish Meal for Ruminants
- ➔ Germany also Banned the Use of Fish Meal
- ➔ Ban on All Animal Fats in Germany
- ➔ All Cattle Older than 30 Months to be Tested for BSE

Meat & Bone Meal Usage in the EU

- EU's MBM Usage in 2000: 2.4 mln tons
- MBM has more than 60% Protein

- 2.4 mln tons of MBM are Equivalent to

→ 3.0 mln tons of Hi-Pro Soymeal (48% Protein) or

→ 14.2 mln tons of Wheat (11% Protein)

BSE- Consequences for the EU Feedstuff Markets in 2001

- Cattle Inventory down 1 to 2 % (mid-year count)
- Total Industrial Compound Feed Output Only Slightly Down by 0.3 %

→	Cattle	- 5 %
→	Hogs	+ 1 %
→	Poultry	+ 2 %

- Soybean Meal Consumption up 1 mln tons to 28 mln tons
- Grain Feeding up 3 mln tons

BSE – Consequences for the EU Feed Industry

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- ➔ **Open Declaration**
- ➔ **Positive List**

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- ➔ Traceability

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- ➔ Novel Feed (GMO)

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- ➔ White Paper on Food Security

BSE Crisis and Public Debate

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➔ **Consumers First**

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BSE Crisis and Public Debate

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- ➔ Precautionary Principle

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- ➔ Minimum Quality Standards for Production, Processing and Trade (?)

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- ➔ Strong Support for Organic Farming
- ➔ Minimum Quality Standards for Production, Processing and Trade (?)
- ➔ Budget

Modifications in Support to Farmers (from 2003)

- Grain Intervention Prices to be Reduced Further (minimum 5 %), Partly Compensated by Higher Direct Aid Payments
- Degressivity of Aid Payments to be Introduced ?
- Shift Towards More Extensive Farming Practices
- Cross Compliance (minimum standards)
- Modulation

Market Implications

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- ➔ Grain Exports Without Subsidies to Become Normal

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- ➔ Intervention a Pure Safety Net
- ➔ Feed Grain Use to Increase – Imports of NGFIs to Decrease
- ➔ Higher Conflict Potential in WTO, SPS